



CALIFORNIA BOARD OF ACCOUNTANCY

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Initial Statement of Reasons

Related to Regulation Notice dated October 2006

November 2006



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INITIAL STATEMENT OF REASONS

Hearing Date: December 1, 2006.

Subject Matter of Proposed Regulation: Fees.

Amend Section 70 of Title 16 of the California Code of Regulations.

Specific Purpose:

This proposal would amend Section 70 to set the fee for submission of a practice privilege notification with an authorization to sign attest reports at \$100 and the fee for submission of the practice privilege notification without an authorization to sign attest reports at \$50.

Factual Basis/Rationale:

Business and Professions Code Section 5096.15 enacted by AB 1868 (Bermudez, Chapter 458, Statutes of 2006, Attachment 1) declares that it is the intent of the Legislature that the Board adopt regulations providing for a lower fee, or no fee, for out-of-state accountants who do not sign attest reports. Also amendments to Business and Professions Code Section 5134 contained in AB 1868 and SB 503 (Figueroa, Chapter 458, Statutes of 2006, Attachment 2) provide for two fee levels for practice privilege holders.

Current Section 70 provides for only one fee for submission of a practice privilege notification and sets that fee at \$100. Amendments to Section 70 are necessary to comply with the legislative intent that there be a lower fee for submission of the practice privilege notification without an authorization to sign attest reports.

Setting the fees at a lower level for practice privilege holders who do not sign attest reports and at a higher level for practice privilege holders who sign attest reports reflects the greater consumer risk involved in attest services and the possibility that more Board oversight might be required in this area.

It is estimated that establishing the fees at the levels provided for by this proposal will allow the Practice Privilege Program to continue to be self-supporting. Any lower fee would result in Practice Privilege Program costs being subsidized by renewal fees.

Underlying Data:

Technical, theoretical or empirical studies or reports relied upon (if any): None

Business Impact:

This regulation will not have a significant adverse economic impact on businesses.

This proposal provides for a lower fee for the submission of a practice privilege notification without an authorization to sign attest reports. Practice Privilege holders who do not sign attest reports (approximately 64% of all practice privilege holders) provide many critical accounting services such as the preparation of tax returns for businesses. Charging a lower fee for these accounting professionals will encourage them to participate in the Practice Privilege Program. This will help to ensure that California consumers and businesses have a broad range of choices and can receive the services they need from accounting professionals anywhere in the country.

Specific Technologies or Equipment

This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives

No reasonable alternative which was considered or that has otherwise been identified and brought to the attention of the Board would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed regulation.

The Board considered, in concept, setting the fee at less than \$50 for practice privilege holders who do not sign attest reports. This alternative was rejected because it was estimated that setting the fees as provided for in this proposal would allow the practice privilege program to continue to be self-supporting, while a lower fee would not enable the program to be self-supporting and would require that program costs be subsidized by renewal fees paid by California licensees.